

IRON MOUNTAIN - KINGSFORD JOINT
WASTEWATER TREATMENT PLANT

REPORT ON FINANCIAL STATEMENTS

(with additional information)

For the Year Ended June 30, 2008

IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER TREATMENT PLANT

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ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

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Private Companies Practice Section
American Institute of Certified
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INDEPENDENT AUDITORS' REPORT

Joint Board of Commissioners
Iron Mountain – Kingsford Joint Wastewater Treatment Plant
Iron Mountain – Kingsford, Michigan

We have audited the accompanying financial statements of the governmental and business-type activities of the Iron Mountain – Kingsford Joint Wastewater Treatment Plant as of and for the year ended June 30, 2008, which collectively comprise the Plant's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Plant's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business-type activities of the Iron Mountain – Kingsford Joint Wastewater Treatment Plant as of June 30, 2008, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", we have also issued our report dated September 4, 2008 on our consideration of the Iron Mountain – Kingsford Joint Wastewater Treatment Plant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 10 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Iron Mountain – Kingsford Joint Wastewater Treatment Plant's basic financial statements. The supplemental information (the Schedule of Revenues and Expenditures – Budget and Actual – Capital Projects Fund and the Schedule of Revenues and Expenditures – Budget and Actual – Proprietary Fund) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

September 4, 2008

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Iron Mountain – Kingsford Joint Wastewater Treatment Plant's financial performance provides an overview of the financial activities for the year ended June 30, 2008. Please read it in conjunction with the Plant's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The Plant's total net assets decreased \$68,170 for the year ended June 30, 2008. The net assets of our governmental activities increased \$151,983 while the net assets of our business activity (Wastewater Treatment Plant) decreased \$220,153.
- During the year ended June 30, 2008, the Plant's governmental revenues exceeded expenses by \$151,983. This compares to an excess of expenses over revenues of \$40,743 for the year ended June 30, 2007. The change of \$192,726 was substantially due to increased revenues from the Cities of Iron Mountain and Kingsford, as well as reduced transfers to the business activity fund.
- The operating revenues of the Plant's business type activity for 2008 of \$751,594 exceeded that of 2007 of \$729,554 by \$22,040. The Plant's operating expenses for 2008 of \$ 1,029,420 exceeded that of 2007 of \$1,013,922, by \$15,498. The Plant incurred an operating loss for 2008 of \$277,826 versus \$284,368 for 2007. The Plant incurred a decrease in net assets for 2008 of \$220,153 versus \$218,539 for 2007. The change of \$1,614 was primarily due to normal revenue versus expense activity.
- The total cost of all of the Plant's programs was \$1,029,420 for 2008 versus \$1,013,922 for 2007, for an increase of \$15,498, or 1.5%. The increase was due to routine activity.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Plant as a whole and present a longer-term view of the Plant's finances. For governmental activities, these statements report how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Plant's operations in more detail than the government-wide statements by providing information about the Plant's most significant funds.

REPORTING THE PLANT AS A WHOLE

Our analysis of the Plant as a whole begins on page 11. One of the most important questions asked about the Plant's finances is "Is the Plant, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Plant as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Plant's *net assets* and changes in them. You can think of the Plant's net assets – the difference between assets and liabilities – as one way to measure the Plant's financial health, or *financial position*. Over time, *increases or decreases* in the Plant's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Plant's property, plant and equipment to assess the *overall financial health* of the Plant.

In the Statement of Net Assets and the Statement of Activities, we divide the Plant into two kinds of activities:

- Government activities – The Plant's capital project activities are reported here. For fiscal 2008 a portion of fees charged to customers was used to fund these activities.
- Business-type activities – The Plant charges fees to customers to help it cover all or most of the costs of services it provides. The Plant's Wastewater Treatment activity is reported here.

REPORTING THE PLANT'S MOST SIGNIFICANT FUNDS

Our analysis of the Plant's major funds begins on page 13. The fund financial statements provide detailed information on the most significant funds, which includes all of the Plant's funds. Some funds are required to be established by State law. However, the Plant Commission may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The Plant's two kinds of funds – *governmental* and *proprietary* – use different accounting methods.

- *Government funds* – The Plant's capital project activities are reported in a governmental fund which focuses on how money flows into, and out of the fund and the balance left at year-end that is available for spending. This fund uses an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statement provides a detailed *short-term view* of the Plant's general government operation and the basic service it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Plant's programs.
- *Proprietary funds* – The Plant charges customers for the services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Plant's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

THE PLANT AS A WHOLE

The Plant's combined net assets at June 30, 2008 decreased \$68,170 from June 30, 2007.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	06/30/08	06/30/07	06/30/08	06/30/07	06/30/08	06/30/07
Assets:						
Current and other assets	\$ 553,449	\$ 401,466	\$ 76,094	\$ 93,042	\$ 629,543	\$ 494,508
Capital assets (net)	-	-	3,466,565	3,660,846	3,466,565	3,660,846
Total assets	553,449	401,466	3,542,659	3,753,888	4,096,108	4,155,354
Liabilities - Current	-	-	32,892	23,968	32,892	23,968
Net Assets:						
Invested in capital assets, net of related debt	-	-	3,466,565	3,660,846	3,466,565	3,660,846
Unrestricted	553,449	401,466	43,202	69,074	596,651	470,540
Net Assets	\$ 553,449	\$ 401,466	\$ 3,509,767	\$ 3,729,920	\$ 4,063,216	\$ 4,131,386

Net assets of the Plant's governmental activities at June 30, 2008, stood at \$553,449 and all was unrestricted.

Net assets of the business-type activity at June 30, 2008, stood at \$3,509,767. Unrestricted net business assets were \$43,202. In general, the business-type activity unrestricted net assets should be used to finance operations of the Plant. However, the Board of Commissioners could transfer funds from the business activity unrestricted assets to the governmental activities area should the need arise.

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>6/30/2008</u>	<u>6/30/2007</u>	<u>6/30/2008</u>	<u>6/30/2007</u>	<u>6/30/2008</u>	<u>6/30/2007</u>
Revenues:						
Program revenues:						
Charges for services	\$187,768	\$ -	\$ 751,594	\$ 729,554	\$ 939,362	\$ 729,554
General revenues:						
Unrestricted investment earnings	<u>20,272</u>	<u>22,703</u>	<u>1,616</u>	<u>2,383</u>	<u>21,888</u>	<u>25,086</u>
Total revenues	<u>208,040</u>	<u>22,703</u>	<u>753,210</u>	<u>731,937</u>	<u>961,250</u>	<u>754,640</u>
Program Expenses:						
Wastewater treatment	<u>-</u>	<u>-</u>	<u>1,029,420</u>	<u>1,013,922</u>	<u>1,029,420</u>	<u>1,013,922</u>
Total expenses	<u>-</u>	<u>-</u>	<u>1,029,420</u>	<u>1,013,922</u>	<u>1,029,420</u>	<u>1,013,922</u>
Excess (deficiency) before transfers	208,040	22,703	(276,210)	(281,985)	(68,170)	(259,282)
Fund transfers	<u>(56,057)</u>	<u>(63,446)</u>	<u>56,057</u>	<u>63,446</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in net assets	151,983	(40,743)	(220,153)	(218,539)	(68,170)	(259,282)
Net assets - beginning of period	<u>401,466</u>	<u>442,209</u>	<u>3,729,920</u>	<u>3,948,459</u>	<u>4,131,386</u>	<u>4,390,668</u>
Net assets - end of period	<u><u>\$553,449</u></u>	<u><u>\$401,466</u></u>	<u><u>\$3,509,767</u></u>	<u><u>\$3,729,920</u></u>	<u><u>\$4,063,216</u></u>	<u><u>\$4,131,386</u></u>

BUSINESS-TYPE ACTIVITIES

Revenues for the Plant's business-type activity, sewage treatment, totaled \$753,210. The Plant's customer base has been stable and, for the most part, consists of the Cities of Iron Mountain and Kingsford.

THE PLANT'S GOVERNMENTAL FUND

As the Plant completed the year, its governmental fund (as presented in the balance sheet on page 13) reported a fund balance of \$553,449, an increase of \$151,983 from the beginning of the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2008, the Plant had \$10,264,986 invested in a variety of capital assets including land, equipment, buildings, and its wastewater system as follows:

Table 3
Capital Assets
Business - Type Activity

	<u>06/30/08</u>	<u>06/30/07</u>
Land	\$ 31,635	\$ 31,635
Buildings and improvements	9,225,609	9,225,609
Equipment and vehicles	<u>1,007,742</u>	<u>925,361</u>
Total cost	10,264,986	10,182,605
Less accumulated depreciation	<u>(6,798,421)</u>	<u>(6,521,759)</u>
NET FIXED ASSETS	<u>\$3,466,565</u>	<u>\$3,660,846</u>

The Plant invested \$82,381 in capital assets during the year ended June 30, 2008. Depreciation expense for fiscal 2008 was \$276,662.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Plant's appointed officials considered many factors when setting the rates and fees for the fiscal year 2008/2009 budget. The current state of the economy has been a major contributing factor in establishing these rates. In the upcoming year, we do not anticipate any significant industrial growth that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues. All of these were taken into consideration during the 2008/2009 budget process.

CONTACTING THE PLANT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers with a general overview of the Plant's finances and to show the Plant's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Plant Manager, Gary Lessard, at Box 88, Kingsford, Michigan 49802, or call 906-774-2255.

**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

STATEMENT OF NET ASSETS

June 30, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and equivalents	\$ 546,430	\$ 48,016	\$ 594,446
Accounts receivable	7,019	28,078	35,097
Prepaid insurance	-	-	-
	<u>553,449</u>	<u>76,094</u>	<u>629,543</u>
Total current assets			
Noncurrent assets:			
Capital assets	-	10,264,986	10,264,986
Accumulated depreciation	-	(6,798,421)	(5,976,625)
	<u>-</u>	<u>3,466,565</u>	<u>3,466,565</u>
Total noncurrent assets			
TOTAL ASSETS	<u>553,449</u>	<u>3,542,659</u>	<u>4,096,108</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	-	18,633	18,633
Accrued wages	-	14,259	14,259
	<u>-</u>	<u>32,892</u>	<u>32,892</u>
TOTAL CURRENT LIABILITIES			
NET ASSETS:			
Invested in capital assets, net of related debt	-	3,466,565	3,466,565
Unrestricted	<u>553,449</u>	<u>43,202</u>	<u>596,651</u>
TOTAL NET ASSETS	<u>\$ 553,449</u>	<u>\$ 3,509,767</u>	<u>\$4,063,216</u>

The accompanying notes to the financial statements are an integral part of this statement.





**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Primary Government			Primary Government		
	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS						
PRIMARY GOVERNMENT:						
Governmental Activities:						
Contracted services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities:						
Sewage treatment	1,029,420	751,594	-	-	(277,826)	(277,826)
TOTAL PRIMARY GOVERNMENT	\$ 1,029,420	\$ 751,594	\$ -	\$ -	(277,826)	(277,826)
General revenues:						
Capital improvement assessments	187,768	-	-	187,768	-	187,768
Unrestricted investment earnings	20,272	1,616	-	20,272	1,616	21,888
Transfers	(56,057)	56,057	-	(56,057)	56,057	-
Total general revenues and transfers	151,983	57,673	-	151,983	57,673	209,656
Changes in net assets	151,983	(220,153)	-	151,983	(220,153)	(68,170)
Net assets, beginning of year	401,466	3,729,920	-	401,466	3,729,920	4,131,386
Net assets, end of year	\$ 553,449	\$ 3,509,767	\$ -	\$ 553,449	\$ 3,509,767	\$ 4,063,216

The accompanying notes to the financial statements are an integral part of this statement.

**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

**BALANCE SHEET
GOVERNMENTAL FUND
Capital Projects Fund**

June 30, 2008

ASSETS:

Cash and equivalents
Accounts receivable

\$ 546,430
7,019

TOTAL ASSETS

\$ 553,449

FUND BALANCE:

Unreserved:
Undesignated

\$ 553,449

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The accompanying notes to the financial statements are an integral part of this statement.

**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Capital Projects Fund**

For the Year Ended June 30, 2008

REVENUES:

Local sources:

City of Iron Mountain	\$ 94,596
City of Kingsford	89,858
Parrish properties	3,314
Investment earnings	<u>20,272</u>

TOTAL REVENUES

208,040

EXPENDITURES

EXCESS OF REVENUES OVER EXPENDITURES

208,040

OTHER FINANCING SOURCES (USES):

Operating transfers out	<u>(56,057)</u>
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TOTAL OTHER FINANCING SOURCES

(56,057)

NET CHANGE IN FUND BALANCE

151,983

FUND BALANCE, BEGINNING OF YEAR

401,466

FUND BALANCE, END OF YEAR

\$ 553,449

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The accompanying notes to the financial statements are an integral part of this statement.

**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

**STATEMENT OF NET ASSETS
Proprietary Fund**

June 30, 2008

ASSETS:

Current Assets:

Cash and equivalents	\$ 48,016
Accounts receivable	28,078
	<hr/>
Total current assets	76,094

Fixed Assets:

Land	31,635
Buildings and improvements	9,225,609
Equipment	912,256
Furniture and fixtures	61,795
Other fixed assets	33,691
	<hr/>
Total fixed assets	10,264,986
Less: accumulated depreciation	(6,798,421)
	<hr/>
Net fixed assets	3,466,565

TOTAL ASSETS

3,542,659

LIABILITIES:

Current Liabilities:

Accounts payable	18,633
Accrued expenses	14,259
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TOTAL CURRENT LIABILITIES

32,892

NET ASSETS:

Invested in capital assets net of related debt	3,466,565
Unrestricted	43,202
	<hr/>

NET ASSETS

\$ 3,509,767

The accompanying notes to the financial statements are an integral part of this statement.



**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
Proprietary Fund**

For the Year Ended June 30, 2008

OPERATING REVENUES:

Sewage Disposal Service:

City of Iron Mountain	\$ 378,385
City of Kingsford	359,430
Parrish Properties	13,258
Miscellaneous	521
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TOTAL OPERATING REVENUES

751,594

OPERATING EXPENSES:

Operating and maintenance expense

Administrative expenses

Depreciation

317,559

435,199

276,662

TOTAL OPERATING EXPENSES

1,029,420

OPERATING (LOSS)

(277,826)

NON-OPERATING REVENUE:

Operating transfers in

Investment earnings

56,057

1,616

TOTAL NON-OPERATING REVENUES

57,673

CHANGE IN NET ASSETS

(220,153)

NET ASSETS, BEGINNING OF YEAR

3,729,920

NET ASSETS, END OF YEAR

\$3,509,767

The accompanying notes to the financial statements are an integral part of this statement.



**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

**STATEMENT OF CASH FLOWS
Proprietary Fund**

For the Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 756,793
Payments to suppliers	(411,269)
Payments for wages and related benefits	(331,553)
Operating transfers in	<u>56,057</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES	70,028
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of fixed assets	(82,381)
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CASH FLOWS FROM INVESTING ACTIVITIES:

Investment income	<u>1,616</u>
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NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(10,737)
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CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>58,753</u>
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CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 48,016</u>
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**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating income (loss)	\$ (221,769)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	276,662
Changes in assets and liabilities:	
Decrease (Increase) in receivables	5,199
Decrease (Increase) in prepaids/deposits	1,012
Increase (Decrease) in accounts payable	8,483
Increase (Decrease) in accrued payroll	<u>441</u>

NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>\$ 70,028</u>
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The accompanying notes to the financial statements are an integral part of this statement.



**IRON MOUNTAIN – KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Iron Mountain – Kingsford Joint Wastewater Treatment Plant ("Plant"), was formed in 1958 under the provisions established by the joint cooperation of the Cities of Iron Mountain and Kingsford. The Plant operates under a board of commissioners consisting of the city manager of each city as well as a member appointed by the respective mayors of the cities.

The Plant, for financial reporting purposes, includes all of the activities relevant to its operations.

Component Unit

In evaluating how to define the Plant, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement #14 and as amended by GASB Statement #39.

The criteria established by the governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined that there are no component units of the Iron Mountain – Kingsford Joint Wastewater Treatment Plant nor is the Plant a component unit of another entity.

The accounting policies of the Plant conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

BASIS OF PRESENTATION

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the Plant as a whole. They include all funds of the Plant. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.



**IRON MOUNTAIN – KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Fund Financial Statements:

The accounts of the Plant are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. Funds of the Plant are considered major if they meet the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Plant reports the following as major governmental funds in accordance with the above criteria:

Capital Projects Fund

The Plant reports the following as a major enterprise fund in accordance with the above criteria:

Wastewater Treatment Plant

The funds of the Plant are described below:

Governmental Funds

Capital Project Fund - Capital Project Funds are used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).



**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Proprietary Fund

Enterprise Funds - Enterprise Funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resource measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.



**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Basis of Accounting:

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

As allowed by GASB Statement No. 20, the Plant's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.

ASSETS, LIABILITIES AND NET ASSETS/FUND BALANCE

- a. Cash and Equivalents – The Plant's cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable.
- c. Due to and Due From Other Funds – Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Fixed Assets – The accounting and reporting treatment applied to property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.



**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS/FUND BALANCE (Continued)

Government-Wide Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	10-40 years
Machinery and equipment	5-20 years

Fund Financial Statements:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

The Plant has adopted a capitalization policy for fixed assets of \$500 per item.

- e. Compensated Absences - It is the Plant's policy to permit employees to accumulate a limited amount of earned but unused sick leave, which will be paid to employees upon retirement from the Plant. In governmental funds, the cost of sick leave is recognized when payments are made to employees. In proprietary funds, the cost of vested sick leave is recognized as an expense as earned by the employees.

- f. Equity Classification

Government-Wide Statements:

Equity is classified as net assets and displayed in two components:

1. Invested in capital assets.- Consists of capital assets, net of accumulated depreciation.
2. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."



**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS/FUND BALANCE (Continued)

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate. Proprietary fund equity is classified the same as in the government-wide statements.

REVENUES AND EXPENDITURES/EXPENSES

Revenues:

Government-Wide Statements:

In the government-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues includes all revenues which do not meet the criteria of program revenues and include revenues such as property taxes, state revenue sharing payments and interest earnings.

Fund Statements:

In the governmental fund statements revenues are reported by source, such as federal sources, state sources and taxes. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency.

Expenses/Expenditures:

Government-Wide Statements:

In the government-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.



**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUES AND EXPENDITURES/EXPENSES (Continued)

Fund Statements:

In the governmental fund financial statements, expenditures are classified by character; current, debt service and capital outlay.

In the proprietary fund financial statements, expenses are classified by operating and nonoperating and are subclassified by function such as salaries, supplies and contracted services.

Operating Revenues and Expenses:

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

Other Financing Sources (Uses):

The transfers of cash between the various Plant funds are reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interfund Activity:

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities, and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables are eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.



**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

OTHER SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting:

The Plant follows these procedures in establishing the budgetary data reflected in the supplementary information:

- (1) The budget is enacted through passage of a motion.
- (2) Formal budgetary integration is employed as a management control device during the year for the Capital Projects Fund and Enterprise Fund.
- (3) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) on an activity basis.
- (4) Appropriations lapse at the end of each fiscal year.
- (5) The Joint Board of Commissioners may authorize supplemental appropriations during the year.

The fiscal 2008 budget was adopted on June 17, 2007 and amended on June 19, 2008.

RESERVATIONS AND DESIGNATIONS OF FUND BALANCES AND RETAINED EARNINGS

Reservations are used to indicate that a portion of fund balance/retained earnings is not appropriable for expenditure or is legally segregated for a specific future use.

Designations indicate tentative plans or intent for resource utilization in a future period and are thus subject to change and may never be legally authorized or result in expenditure.

AMORTIZATION OF CONTRIBUTED CAPITAL

The Plant has opted, as permitted by Statement 2 of the National Council of Governmental Accounting, to treat the depreciation on assets constructed or acquired by grants as an amortization of the "Contributions in Aid of Construction" account. This results in an annual increase of retained earnings and a decrease in the "Contributions in Aid of Construction" account in the Operations and Maintenance Fund totaling \$179,916.



**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

NOTE B - CASH AND EQUIVALENTS

Deposits

The Plant's cash and equivalents as reported in the Statement of Net Assets consisted of the following:

Petty cash	\$ 100
Checking accounts	2,500
Repurchase sweep accounts	300,940
Certificate of deposit	<u>290,906</u>
 TOTAL	 <u>\$594,446</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Plant's deposits may not be returned. State law does not require and the Plant does not have a policy for deposit custodial credit risk. As of June 30, 2008, \$189,763 of the Plant's checking account and certificates of deposit were exposed to credit risk because they were uninsured and uncollateralized. The repurchase sweep accounts were collateralized with U.S. Govt. securities with a fair market value of \$507,750 at June 30, 2008.

NOTE C - RETIREMENT PLAN

Description of Plan and Plan Assets - The Plant is an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS) of Michigan. The system provides the following provisions: service retirement, deferred retirement and disability retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80% of FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2007.

MERS was created under Public Act 135 of 1945, repealed and replaced by successor Municipal Employees Retirement Act of 1984 (PA 427), as amended by 1996 PA 220, and the MERS Plan Document, as revised. MERS was established to provide a pooled program for retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. MERS issues a publicly available financial report that includes financial statements and requires supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.



**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE C - RETIREMENT PLAN (Continued)

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by the Plant which requires employees to contribute 5% of gross wages to the plan. The Plant is required to contribute at an actuarially determined rate. The contribution rate as a percentage of qualified payroll beginning July 1, 2008 is 9.92%.

Annual Pension Cost - During the fiscal year ended June 30, 2008, the Plant's contributions totaling \$24,103 and employee contributions of \$10,838 were made in accordance with contribution requirement determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three-Year Schedule of Funding Progress

Actuarial Valuation Date	Accrued Actuarial Value of Assets (a)	Actuarial Liability - (AAL)Entry Age (b)	Underfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
12/31/05	\$ 327,884	\$ 569,815	\$ (241,931)	57.5%	172,208	140%
12/31/06	\$ 371,538	\$ 610,001	\$ (238,463)	60.9%	204,186	117%
12/31/07	\$ 422,270	\$ 668,071	\$ (245,801)	63.2%	213,138	115%



**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

NOTE D - COMPENSATED ABSENCES

The Plant's employment contracts and agreements provide for paid sick leave that can accumulate up to 960 hours for eligible employees. Once an employee is eligible for retirement this benefit vests at 30% of the accumulated dollar value.

At June 30, 2008 accumulated non-vested sick time amounted to \$46,988. Non-vested unused sick time is not included in the financial statements as a liability.

NOTE E - FIXED ASSETS

A summary of property, plant and equipment as of June 30, 2008 is as follows:

	Balance 07/01/07	Additions	Deletions	Balance 06/30/07
Land	\$ 31,635	\$ -	\$ -	\$ 31,635
Structures	8,991,847	-	-	8,991,847
Improvements	233,762	-	-	233,762
Operating Equipment	829,875	82,381	-	912,256
Furniture and Fixtures	61,795	-	-	61,795
Other Equipment	33,691	-	-	33,691
 Total	 10,182,605	 \$ 82,381	 \$ -	 10,264,986
Accumulated Depreciation	(6,521,759)	\$ (276,662)	\$ -	(6,798,421)
 Net Fixed Assets	 \$ 3,660,846			 \$ 3,466,565

Depreciation expense for the year was \$276,662.

NOTE F - RISK MANAGEMENT

The Plant is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Plant maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Plant. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.



**IRON MOUNTAIN - KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

NOTE G - USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE H - ECONOMIC DEPENDENCY

The Plant's Proprietary Fund incurred a net loss of \$(220,153) and an operating loss of \$(221,769) for the year ended June 30, 2008.

The Plant is dependent upon the Cities of Iron Mountain and Kingsford, Michigan to fund its operations via user fees.



**SUPPLEMENTAL
INFORMATION**



**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
Capital Projects Fund**

For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
			<u>(Note A)</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
REVENUES:				
Local sources:				
City of Iron Mountain	\$ 97,200	\$ 97,200	\$ 94,596	\$ (2,604)
City of Kingsford	89,300	89,300	89,858	558
Parrish properties	3,400	3,400	3,314	(86)
Investment earnings	17,000	17,000	20,272	3,272
TOTAL REVENUES	206,900	206,900	208,040	1,140
EXPENDITURES:				
Consulting/Engineering/Asbestos Abatement	10,000	10,000	-	10,000
TOTAL EXPENDITURES	10,000	10,000	-	10,000
EXCESS OF REVENUES OVER EXPENDITURES	196,900	196,900	208,040	11,140
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(52,693)	(52,693)	(56,057)	(3,364)
TOTAL OTHER FINANCING SOURCES (USES)	(52,693)	(52,693)	(56,057)	(3,364)
NET CHANGE IN FUND BALANCE	\$ 144,207	\$ 144,207	\$ 151,983	\$ 7,776

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
Proprietary Fund**

For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary</u> <u>Basis)</u> <u>(Note A)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES:				
Sewage Disposal Services:				
City of Iron Mountain	\$ 388,780	\$ 388,780	\$ 378,385	\$ (10,395)
City of Kingsford	357,000	357,000	359,430	2,430
Parrish Properties	14,000	14,000	13,258	(742)
Other	1,500	1,500	521	(979)
TOTAL OPERATING REVENUES	761,280	761,280	751,594	(9,686)
OPERATING EXPENSES:				
Operations and Maintenance:				
Contracted services:				
Analytical	15,000	15,000	9,261	5,739
Solids handling	65,000	65,000	58,636	6,364
Miscellaneous	500	500	-	500
Treatment chemicals:				
Disinfection	3,700	17,700	15,309	2,391
Solids removal	30,000	30,000	27,972	2,028
Laboratory:				
Chemicals	2,000	2,000	2,038	(38)
Supplies	5,500	5,500	2,881	2,619
Maintenance:				
Pumps	6,000	6,000	3,240	2,760
Electrical	5,000	5,000	4,386	614
Prelim. treatment	8,200	8,200	6,915	1,285
Primary treatment	1,800	1,800	266	1,534
Secondary treatment	5,000	5,000	11,573	(6,573)
Solids treatment	3,000	3,000	5,861	(2,861)
HVAC	5,000	5,000	4,214	786
Vehicle expense	700	700	1,103	(403)
Grounds/grounds equipment	2,000	2,000	2,533	(533)
Buildings	5,000	5,000	4,104	896
Stand-by power	1,500	1,500	679	821
Fuel lubricants	2,500	2,500	4,286	(1,786)
Miscellaneous	3,000	3,000	164	2,836



**IRON MOUNTAIN-KINGSFORD JOINT WASTEWATER
TREATMENT PLANT**

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL**

Proprietary Fund

(Continued)

For the Year Ended June 30, 2008

Utilities:				
Gas	75,000	75,000	54,693	20,307
Electric	105,000	105,000	89,386	15,614
Water and sewer	6,800	6,800	5,106	1,694
Telephone	2,600	2,600	2,953	(353)
Total operations and maintenance expenses	359,800	373,800	317,559	56,241
Administrative Expenses:				
Salaries and wages	220,000	220,000	220,900	(900)
Payroll taxes	17,000	17,000	16,865	135
Pension	24,500	24,500	24,103	397
Health/life insurance	75,000	75,000	70,125	4,875
Office expense	4,000	4,000	6,956	(2,956)
Education/memberships	2,500	2,500	1,717	783
Accounting and audit	8,800	8,800	8,900	(100)
Professional fees	1,000	1,000	-	1,000
Board expenses	780	780	780	-
Collection fees	25,380	25,380	25,564	(184)
Comp/liability insurance	50,000	50,000	47,118	2,882
State permits	7,000	7,000	7,260	(260)
Safety	5,000	5,000	4,911	89
Miscellaneous	500	500	-	500
Total administrative expenses	441,460	441,460	435,199	6,261
Depreciation Expense	275,000	275,000	276,662	(1,662)
Total operating expenses	1,076,260	1,090,260	1,029,420	60,840
OPERATING (LOSS)	(314,980)	(328,980)	(277,826)	51,154
NON-OPERATING REVENUE:				
Interest earned	1,500	1,500	1,616	116
Contributions from other fund	455,000	471,550	56,057	(415,493)
Total non-operating revenues	456,500	473,050	57,673	(415,377)
NET (LOSS)	\$ 141,520	\$ 144,070	\$ (220,153)	\$ (364,223)

The accompanying notes to financial statements are an integral part of this statement.





OTHER REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Joint Board of Commissioners
Iron Mountain – Kingsford Joint Wastewater Treatment Plant
Iron Mountain – Kingsford, Michigan

We have audited the financial statements of Iron Mountain - Kingsford Joint Wastewater Treatment Plant as of and for the year ended June 30, 2008, and have issued our report thereon dated September 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iron Mountain - Kingsford Joint Wastewater Treatment Plant's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iron Mountain - Kingsford Joint Wastewater Treatment Plant's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iron Mountain - Kingsford Joint Wastewater Treatment Plant's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iron Mountain - Kingsford Joint Wastewater Treatment Plant's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

This report is intended solely for the information of the Board of Commissioners and management and is not intended to be and should not be used by anyone other than those specified parties.

Anderson Tackman & Co. P.C.

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

September 4, 2008

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

